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## **Insurance With Assurance**

### **If Your Insurance Company Doesn't Pay a Claim** *by Rick Janis*

#### **What can I do if my insurance company won't pay my claim or goes out of business and I have a claim?**

Because insurance companies face the same economic problems that all companies face, some do go out of business or are forced out of business by their respective State Insurance Departments. Other problems involve insurance carriers being acquired by other companies or a change in management.

Whatever the reason for a company not paying a claim or being unable to pay a claim, you do have certain options and avenues of assistance. You're ahead of the game if you had purchased your insurance through an independent insurance agent. With an agent, you have someone who can champion your cause with the carrier in a claims dispute. Plus, most agents are very familiar with the state laws that govern insolvent insurance companies. However, if you purchased your coverage directly from the insurance company you may have a little more difficulty.

First, let's talk about claim disputes. If your insurance carrier denies coverage on one of your claims, get it in writing. Never accept just the verbal word of the claim adjuster or examiner. Armed with this piece of paper you or your agent can now dispute with the carrier via mail or e-mail. If the claim is still not paid after exhausting all avenues with the carrier you may now turn to your State Insurance Department. They will require a copy of the initial claim report and any correspondence between you and the company. Most State Insurance Departments are consumer friendly so it should not take long to get your claim resolved. If these avenues of appeal are not successful, your final step is to consult with an attorney, preferably, one who has handled this type of case previously.

On the other hand, if your insurance carrier goes out of business due to insolvency, there is usually only one source of immediate relief, the State Guarantee Fund. Most states have some sort of Insolvency Fund. If your insurance was placed with an Admitted Insurance Company, you will be covered under the Insolvency Fund, although some states do limit the amount of liability the Fund would pay. An Admitted Company is one who uses filed forms and pays premium tax. A sure way to know if your Company is an Admitted Company is to look at your insurance invoice. If you were not charged a Surplus lines tax of between 2-5% your Carrier is Admitted. You would have to report your claim to the State Insurance Department or they would refer you to the Administrator of the Insolvency Fund.

When reporting a claim, always get proof of receipt. There have been many disputes in

the past involving claims that were not paid by the Insolvency Fund due to failure to report.

If your Insurance was placed with a Non-Admitted Carrier (one who charged you the surplus tax) you'll get no assistance from the Insolvency Funds in most states. This is an important decision to keep in mind during your next renewal.

Making the right insurance choices in the beginning is always best. But if you do run into problems, you do have options and somewhere to else to turn when you feel you are not getting what you thought your premiums entitled you to receive.

*Rick Janis is a Certified Insurance Counselor and president of the Alarm Insurance Agency. With over 7 years of experience in the security industry, he has been responsible for developing and managing comprehensive insurance and bonding programs for alarm dealers and monitoring companies. Rick is CEU certified by NBFAA and teaches CEU courses to the alarm industry on General Liability/Errors and Omissions and Worker's Compensation. He can be reached at 800-474-0933 or by fax at 800-240-0631. You may also e-mail him at [rjanis@alarmins.com](mailto:rjanis@alarmins.com).*